

DECODING DISTRIBUTOR DYNAMICS

Understanding the key indicators and approaches for working effectively with distributors and partners in global markets

THE DISTRIBUTOR REALITY

Distributors have the power to unlock the potential of a market, and in challenging times, they can make or break your business. Challenging or changing distributors can be a daunting task but taking action to realign your distributor strategy can have a profound impact on your bottom line.

An unprecedented combination of global events has changed the global business landscape; the climate crisis, the Covid-19 pandemic, global supply chain challenges, and the war in Ukraine all continue to test the resilience of Swedish companies operating in global markets. What we knew to be true three years ago, may or may not hold true today. But what we did know pre-pandemic was that many Swedish companies felt their distributors were slow to react to market needs, were not transparent, and they did not provide enough support.

Our analysis shows that Swedish SMEs need practical and strategic help to minimise risk related to market expansion and sales partner engagement. The enormous strain on business, global supply chains, and growth ambitions continues and will do so for the foreseeable, and this means Swedish companies need to ensure that all aspects of their operations are working optimally.

Business Sweden interviewed over 300 Swedish companies and their responses showed that in times of stress or pressure it often becomes clear how poor or well a distributor or partner is performing. The survey results revealed that:

- 78% of Swedish companies feel that their distributors are too slow to react
- 76% feel that their distributors are not transparent with them, and
- 65% of Swedish companies want to change their distributor

KNOWLEDGE IS POWER

Analysing your distributor relationships can provide clarity about growth patterns and be a catalyst for change. It can also reveal insights that change your business relationships or approach to market expansion.

For Swedish SME Cavis, their expansion into the French MedTech market was based on known market potential and scale. While the distributor landscape was unknown, it was critical for them to focus on finding a partner. They had been through the process before, in the Dutch market, and wanted to replicate the small distributor relationship that was proving successful. Business Sweden's market analysis showed that they would need to partner with one of the global medical device companies present in the market. This knowledge changed their distributor strategy, and they were able to swiftly move forward with more meaningful dialogues with suitable prospects.

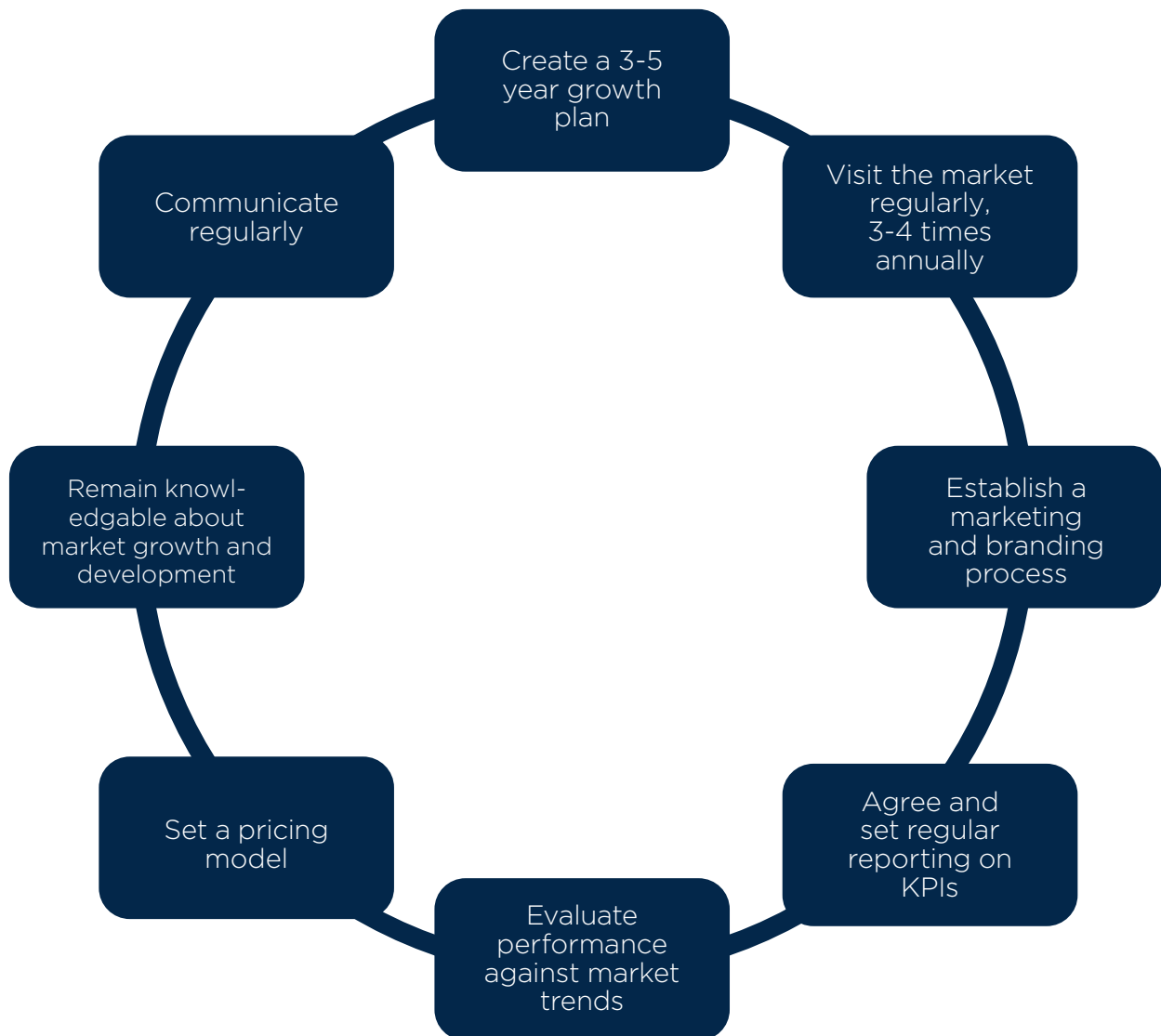
Another company had flat growth in most parts of Europe, but in Poland their sales were growing faster than the market. The company's Dutch and Belgian distributors were struggling to keep customers while the hyperactive Polish distributor was approaching other territories though eCommerce, being service minded, price constant, and constantly present. While this did not sit well with their other European distributors, it gave the company knowledge to be able to make business critical decisions.

ACTIVE DISTRIBUTOR MANAGEMENT

A hands-off management approach taken by many Swedish companies can impact both sales and the morale of their distributors. When companies undertake a distributor analysis with Business Sweden, and implement an active distributor management approach, this often results in securing best performance and results driven behaviour from their distributors. With improved communication, distributor

relationships can start working more effectively towards your companies' growth ambitions.

A common pattern among Swedish companies is to take a step back after the selection and leave distributors to operate with minimal guidance. If clear boundaries and expectations are not implemented, poor performance is often the outcome. Companies who actively guide and support their distributors are rewarded with better performance.



GROWTH TRAJECTORY: UP!

There are two major inflexion points that influence when distributors shift their focus from their principal companies.

1. Revenue threshold

Many distributors of Swedish products keep these high quality, premium products as a door opener for cheaper products. However, as soon as the revenue contribution from the Swedish company exceeds ten per cent, they tend to add resources and do more branding and sales initiatives. It is important to select a distributor that relies significantly on your product; for some companies it might be better to have a small distributor that has a strong focus on you than a large one whose attention is on more profitable products. If you are not contributing enough to their revenue, they will not focus on you. That is when it is time to move on. What is key, is that the distributor is giving priority to your business and products.

2. Ownership or management changes

Distributors are often family-owned businesses, and many companies find that a shift of owners to the next generation leads to changes in priorities. Generational shifts can lead to a shift in priorities, blame being placed on the preceding or following generation for failures and poor sales performance, and a desire to move into different industries. Assessing the focus of your distributor after a generation ownership change will help you to identify if there is still the same commitment. Be prepared to move on if the management change is not aligned with your products and growth ambitions.

QUESTION, REVIEW, ACT

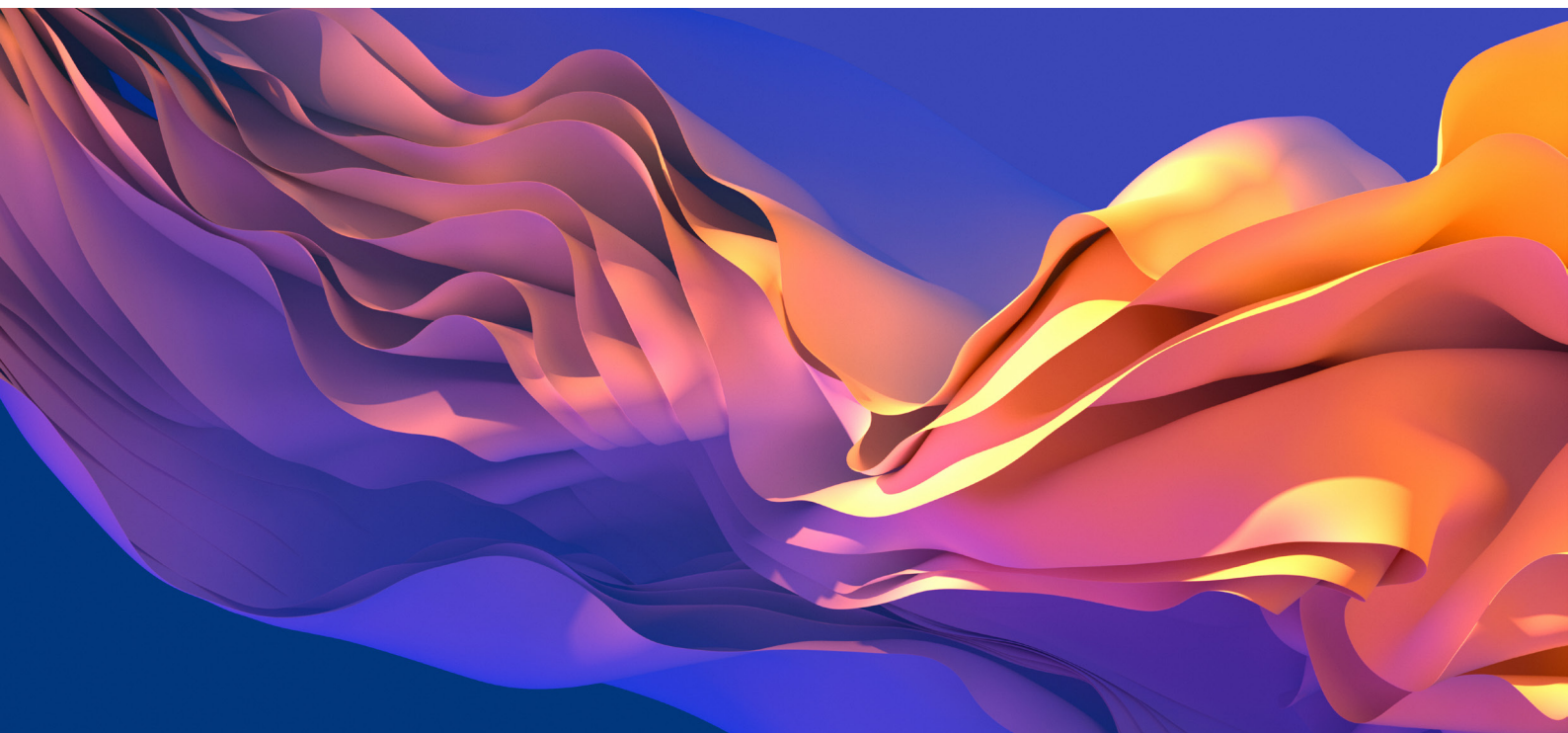
The distributor strategy is one of the critical go-to-market strategies. As your market realities change, so might your distributor strategy. It is important to continually question the role your existing distributors play in your sales strategy – and using the information from this as a catalyst for change before your growth is negatively impacted. This process will also lead to further questions including:

- How to manage inert distributors in the markets where they were selected?
- When to move from distributor led sales to more in-house sales?
- How to motivate a complacent distributor to perform and grow?
- When and how to move from a single distributor to multiple distributors in a market?
- Whether or not to acquire a high performing distributor?

While a distributor led sales channel is the most common and popular choice, getting the best out of your distributors requires patience, communication, and resolve.

“We received very good, professional, and not least personal help. The project time was respected, and efforts were made to deliver good quality within the project framework. We have reached a distributor agreement which was the goal, but also made several new customer contacts which may provide sales opportunities in the future.”

Marianne Wittbom, CEO of Safe at Sea



YOU DON'T NEED TO DO IT ALONE

The right strategic partner can streamline both your distributor analysis and ongoing relationships. Business Sweden's local knowledge and networks have a proven record of keeping business moving for both Swedish companies in global markets, and international companies operating in Sweden.

With the global shift towards localisation hubs, distributor performance is critical for ongoing strategic growth. Business Sweden has a presence in nearly 40 markets around the world and across industry and sector boundaries, and our expert teams on the ground have both the global and local knowledge to help Swedish companies make informed and market relevant decisions about new and existing distributors relationships.

Business Sweden has expert teams located on-the-ground who work with you to accelerate market entry and minimise risk.

- Assist with problem solving
- Carry out performance management
- Facilitate communication between global and local sales managers
- Search for and evaluate suitable new partners
- Use our network to put your company in contact with key stakeholders and decision makers
- Set up and attend meetings with potential partners, and
- Bridge language and cultural barriers



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TAKE THE NEXT STEP IN YOUR EXPANSION PLANS, LET US HELP YOU:

Build your export plan

Our global advisors can evaluate your export opportunities by analysing new markets, prioritising your distributor engagement strategy, and developing a customised export plan designed to minimise risk associated with market expansion while maximising potential growth opportunities

Provide support in new markets

Our local teams are present in more than 40 markets globally. We adapt our local efforts to your company's needs; we can make direct contact with customers and partners, support your sales approaches, or participate in promotional activities to position your products to relevant stakeholders, shortening time to market and accelerating growth.

Connect you with relevant stakeholders

Our extensive local networks can quickly pinpoint the right partners for your products. Our market analysis will help you decide early on if you are looking for a partner or a distributor.

We provide ongoing support and distributor reviews as your business grows and local options evolve.

CONTACT US TODAY



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*We help Swedish companies grow global sales and
international companies invest and expand in Sweden.*

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